



# Condensed results of the reviewed consolidated financial statements

For the period ended 30 June 2020

Net interest income

↑ 4%

Customer deposits

↑ 8%

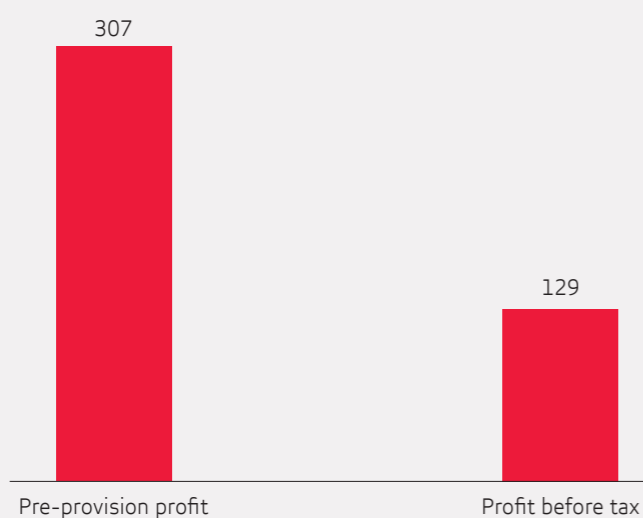
Customer loans

↑ 7%

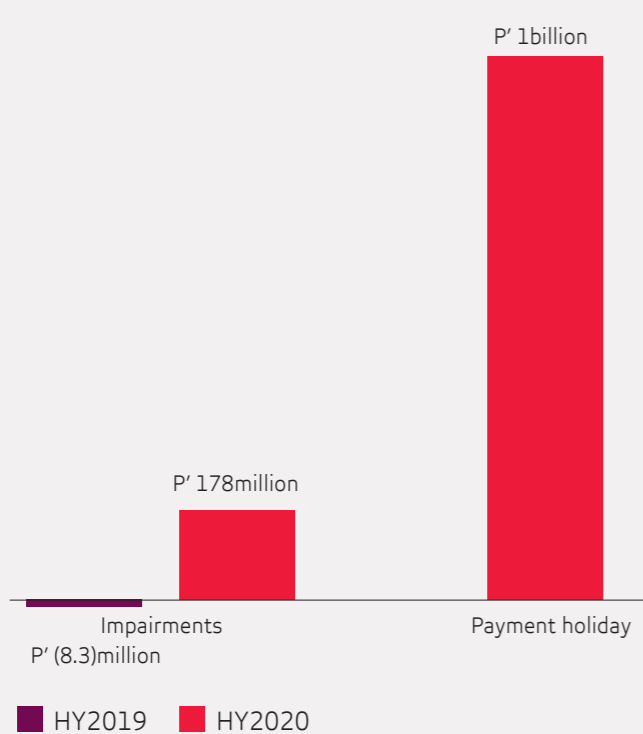
Balance sheet growth

↑ 5%

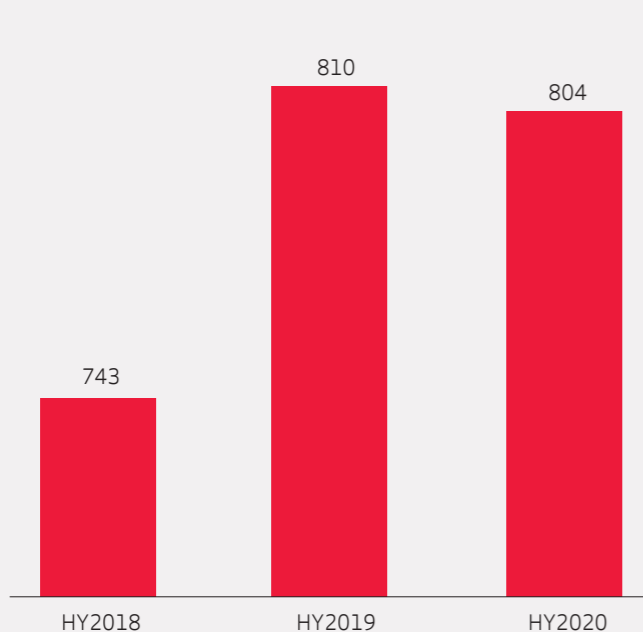
## Pre-provision profit vs profit before tax (P'million)



## Impairment vs payment holiday



## Revenue (P'million)



## Economic outlook

### Global and Sub-Saharan Africa outlook

The global economy fell into disarray in early 2020 as a result of the rapid spreading of the COVID-19 pandemic. While financial markets fell sharply and risk appetites declined, the global economy faced a large contraction as virus containment measures caused a sharp fall in demand, disrupted the supply chain and dented consumer and business confidence levels. The full impact on global economic activity remains uncertain although the loosening of restrictions in recent months has resulted in increased economic activity. Despite indications that the virus may have peaked globally and within the Sub-Saharan African (SSA) region the trajectory of the virus remains uncertain amid fears of a second wave of infections.

The downside risk to economic growth across the Sub-Saharan Africa region remains elevated with tourism-oriented and resource-rich economies bearing the brunt of the impact. Fiscal and monetary policy options remain limited across the continent with many countries resorting to borrowing from multilateral organisations to help mitigate the impact of the pandemic. Upcoming elections in several markets are likely to put additional pressures on public finances. Meanwhile, debt burdens have risen sharply increasing the risk of debt distress for some markets resulting in increasing calls for debt repayment relief.

### Domestic economy

Botswana's economy lost momentum in 2020 with the country's challenges compounded by the arrival of the COVID-19 pandemic in the first quarter of the year. The mining sector's woes which began in 2019 deepened in 2020 following the closure of operations due to the pandemic. With the agriculture sector's performance remaining subdued as a result of the severe drought in recent years the near to medium term outlook for the primary sector remains to an extent pessimistic. Lockdown measures also had a severe impact on economic activity within the services sector with the tourism industry particularly hit hard as a result of international and domestic flight restrictions and border closures. We expect the poor performance by the primary and the services sector to weigh on economic growth in 2020. After real GDP growth of 3% in 2019 and initial expectations that it may recover to 3.8% in 2020 we revised our real GDP growth projection lower to (1.9%). With second quarter GDP data still not available the projected growth for 2020 remains uncertain. With the economy still under diversified Botswana remains vulnerable to swings in global economic conditions and commodity prices. Botswana's fiscal situation is being threatened by lower mining revenues while the expectation of a sharp decline in Southern African Customs Union (SACU) revenues over the longer term poses a further risk to the fiscal outlook. Positively, Botswana's low debt ratio remains one of the lowest in the SSA region.

### Inflation and monetary policy

Consumer inflation has decelerated sharply to 0.9% year-on-year in June and July from 2.4% in May following lower transport costs. The medium-term inflation outlook remains muted despite our expectation that inflation may move into the

## Condensed consolidated statement of comprehensive income

For the period ended 30 June 2020

	Reviewed half year ended 30 June 2020 P'000	Reviewed half year ended 30 June 2019 P'000	% Change YOY
Effective interest income	697 227	663 508	5%
Effective interest expense	(145 553)	(132 532)	10%
<b>Net interest income</b>	<b>551 674</b>	<b>530 976</b>	<b>4%</b>
Fee and commission income	190 263	226 653	(16%)
Fee and commission expense	(11 831)	(40 347)	(71%)
<b>Net fee and commission income</b>	<b>178 432</b>	<b>186 306</b>	<b>(4%)</b>
Net trading and investing income	71 647	82 513	(13%)
Other income	2 105	9 954	(79%)
<b>Total income</b>	<b>803 858</b>	<b>809 749</b>	<b>(1%)</b>
Expected credit losses	(178 454)	8 254	(2 262%)
<b>Net operating income</b>	<b>625 404</b>	<b>818 003</b>	<b>(24%)</b>
Staff costs	(262 913)	(232 678)	13%
Infrastructure costs	(61 812)	(55 720)	11%
Administration and general expenses	(171 826)	(142 302)	21%
<b>Operating expenses</b>	<b>(496 551)</b>	<b>(430 700)</b>	<b>15%</b>
Profit before tax	128 853	387 303	(67%)
Taxation	(38 164)	(88 523)	(57%)
<b>Profit for the period</b>	<b>90 689</b>	<b>298 780</b>	<b>(70%)</b>
<b>Other comprehensive income (OCI)</b>			
<b>Items that are or may be reclassified subsequently to profit or loss:</b>			
<b>Financial assets at fair value through OCI</b>			
Net gain/(loss) on Financial assets at fair value through OCI	6 748	2 015	235%
	6 748	2 015	235%
<b>Total other comprehensive income/(loss) for the period net of tax</b>	<b>6 748</b>	<b>2 015</b>	<b>235%</b>
<b>Total comprehensive income for the period net of tax</b>	<b>97 437</b>	<b>300 795</b>	<b>(68%)</b>
<b>Earnings per share</b>			
<b>Basic and diluted (thebe per share)</b>	<b>10.64</b>	<b>35.06</b>	<b>(70%)</b>

## Condensed consolidated statement of financial position

As at 30 June 2020

	Reviewed as at 30 June 2020 P'000	Reviewed as at 30 June 2019 P'000	% Change YOY
<b>Assets</b>			
Cash	493 906	333 488	48%
Balances at the Central Bank	418 530	1 426 826	(71%)
Trading portfolio assets	38 377	67 232	(43%)
Derivative financial instruments	37 494	32 818	14%
Financial assets at fair value through OCI	1 932 715	1 378 031	40%
Loans and advances to banks	1 188 217	956 305	24%
Due from related companies	491 639	578 620	(15%)
Loans and advances to customers	13 645 368	12 769 413	7%
Other receivables	211 925	174 101	22%
Property plant and equipment	233 175	185 888	25%
Intangible assets	656	978	(33%)
Deferred tax assets	80 818	59 538	36%
Current tax asset	17 111	-	-
<b>Total assets</b>	<b>18 789 931</b>	<b>17 963 238</b>	<b>5%</b>
<b>Equity and liabilities</b>			
<b>Liabilities</b>			
Deposits from banks	482 596	621 993	(22%)
Due to related companies	358 514	718 415	(50%)
Customer deposits	14 024 197	12 994 203	8%
Derivative financial instruments	22 634	28 846	(22%)
Other payables	775 184	491 087	58%
Provisions	36 032	52 930	(32%)
Current tax payable	-	4 745	(100%)
Debt securities in issue	344 699	588 934	(41%)
Subordinated debt	595 322	358 305	66%
<b>Total liabilities</b>	<b>16 639 178</b>	<b>15 859 458</b>	<b>5%</b>
<b>Shareholders' equity</b>			
Stated capital	17 108	17 108	-
General risk reserves	118 347	118 347	-
Fair value reserves	9 121	1 275	615%
Share-based payment reserve	3 666	2 791	31%
Share capital reserve	2 060	2 060	-
Retained income	2 000 451	1 962 199	2%
<b>Total equity attributable to equity holders</b>	<b>2 150 753</b>	<b>2 103 780</b>	<b>2%</b>
<b>Total equity and liabilities</b>	<b>18 789 931</b>	<b>17 963 238</b>	<b>5%</b>

## Condensed consolidated statement of changes in equity

for the period ended 30 June 2020

	Stated capital	General risk reserve	FVOCI investment revaluation reserve	Available-for-sale investments revaluation reserve	Share-based payment reserve	Retained earnings	Share capital reserve	Total equity attributable to shareholders
<b>Balance at 1 January 2019</b>	17 108	118 347	(740)	-	3 148	1 853 969	2 060	1 993 892
Increase/(decrease) resulting from adoption of IFRS 16	-	-	-	-	-	(552)	-	(552)
Profit for the period	-	-	-	-	-	298 780	-	298 780
Other comprehensive income for the period	-	-	2 015	-	(357)	-	-	1 658
<b>Total comprehensive income for the period</b>	-	-	2 015	-	(357)	298 780	-	300 438
Payment of dividends	-	-	-	-	-	(189 998)	-	(189 998)
Recognition of share based payments	-	-	-	-	-	-	-	-
Transfers from/(to) retained earnings	-	-	-	-	-	-	-	-
Total transactions with owners	-	-	-	-	-	(189 998)	-	(189 998)
<b>Balance at 30 June 2019</b>	17 108	118 347	1 275	-	2 791	1 962 199	2 060	2 103 780
<b>Balance at 1 July 2019</b>	17 108	118 347	1 275	-	2 791	1 962 199	2 060	2 103 780
Increase/(decrease) resulting from adoption of IFRS 16	-	-	-	-	-	(550)	-	(550)
Profit for the period	-	-	-	-	-	221 828	-	221 828
Other comprehensive income for the period	-	-	1 098	-	532	-	-	1 630
<b>Total comprehensive income for the period</b>	-	-	1 098	-	532	221 828	-	223 458
Payment of dividends	-	-	-	-	-	(109 997)	-	(109 997)
Recognition of share based payments	-	-	-	-	-	-	-	-
Transfers from/(to) retained earnings	-	-	-	-	-	5 975	-	5 975
Total transactions with owners	-	-	-	-	-	(104 022)	-	(104 022)
<b>Balance at 31 December 2019</b>	17 108	118 347	2 373	-	3 323	2 079 455	2 060	2 222 666
<b>Balance at 1 January 2020</b>	17 108	118 347	2 373	-	3 323	2 079 455	2 060	2 222 666
Increase/(decrease) resulting from prior period tax adjustments	-	-	-	-	-	-	-	-
Profit for the period	-	-	-	-	-	90 689	-	90 689
Other comprehensive income for the period	-	-	6 748	-	-	-	-	6 748
<b>Total comprehensive income for the period</b>	-	-	6 748	-	-	90 689	-	97 437
Payment of dividends	-	-	-	-	-	(213 040)	-	(213 040)
Recognition of share based payments	-	-	-	-	343	-	-	343
Capital reinvestments	-	-	-	-	-	43 347	-	43 347
Total transactions with owners	-	-	-	-	343	(169 693)	-	(169 350)
<b>Balance at 30 June 2020</b>	17 108	118 347	9 121	-	3 666	2 000 451	2 060	2 150 753



# Condensed results of the reviewed consolidated financial statements

For the period ended 30 June 2020

3-6% target band by mid-2021 as base effects and rising transport costs put upside pressure on inflation. The Bank of Botswana has cut the policy rate by only 50 basis points so far this year despite the subdued inflationary environment and poor growth environment. Nonetheless we believe there is room for further policy easing before year-end as the deep contraction in economic activity is likely to convince policymakers of the need to provide further support.

## Financial performance

The outbreak of COVID-19 has had a significant impact on the economy, and the communities in which we operate but significantly on the socio-economic fiber of our communities. This has consequently impacted the ease of doing business, resulting in a down turn of our fee income. To counter the effects of COVID-19 on the livelihood of our customers, the Bank extended a helping hand in the form of repayment holidays, loan restructures and other forbearance programs. The impact of which was a significant increase in impairments due to changes in risk classification of our portfolios. The increase in ECL and margin compression resulted in subdued performance.

Net interest income increased by 4% due to an uptick in balance sheet momentum driven mainly by Retail banking which saw growth in scheme loans offering. Net fee and income remained suppressed due to reduced volumes and margins.

Operating costs on a statutory basis were P497 million representing a 15% increase year-on-year mainly due to separation/transition spend and the once off employee voluntary separation scheme. Normalised costs, removing the effect of the above,

totalled P441 million representing a 6% year on year increase. Notwithstanding the year-on-year increase, costs remained well contained with the business achieving a cost to income ratio of 62% as at the period ended June 2020.

On a year-on-year basis our credit losses significantly increased in comparison to the previous year. This sharp increase was largely impacted by the outbreak of the COVID-19 with a high volume of customers requesting for debt relief in the form of payment holidays restructures and forbearance programs. Lockdown restrictions also impacted the performance of our debt collection as well as customer mobility to make payments. Further, macro-economic variables required revision in June 2020 to reflect the impact of the declining macros mainly the GDP growth. The effect of these factors resulted in a higher credit impairment charge during the period under review.

## Statement of financial position

Overall the Bank registered a growth on customer loans and deposits due to stronger balance sheet momentum. Customer loans grew 7% year-on-year to P13.6 billion from P12.8 billion. The growth in loans was realised across all business segments as we continued to focus on client penetration and acquisition to drive up our volumes. Customer deposits increased by 8% year-on-year to P14 billion from P13 billion driven by positive growth across our business segments. Our balance sheet position remains solid at a total financial position of P18.8 billion with strong liquidity and capital adequacy levels. Our regulatory capital position stood at P2.7 billion representing a capital adequacy ratio of 20% against the regulatory limit of 12.5% and liquid assets ratio at 16%, well above the regulatory minimum of 10%.

## Corporate and Investment Banking

Total CIB income remained subdued compared to the same period in the first half of 2019 mainly due to lowered business activity emanating from the lockdown imposed by the government to combat the COVID-19 pandemic. Margin compression was greatly impacted by the interest rate cut totaling 50 basis points in April 2020 and a 25% reduction on digital banking fees between April and June 2020 aimed at providing relief to our clients to navigate through the challenges brought about by the COVID-19 pandemic. Contributing significantly to this performance is the overall dampened business sentiments for the first half in 2020. Assets and Liabilities growth has been muted during the period and are up 1% and 4% respectively.

Botswana's economic outlook for the remainder of 2020 remains highly uncertain with the considerable economic disruption caused by the lockdowns across both the local, regional and global economies necessitated by the health crisis. The full impact on the economy is expected to be further felt in the second half of the year with the IMF projecting up to 4.9% global economic contraction for this year.

## Retail and Business Banking

Retail and Business Banking (RBB) have remained resilient in terms of delivering its strategy despite the challenging times we are currently operating in.

### Retail Banking

Retail Banking in the first half of the year was focused on bringing solutions to clients that would help bring their possibilities to life. Solutions were largely focused on enhancing our digital platform and the launch of the contactless card in order

## Condensed consolidated statement of cash flows

For the period ended 30 June 2020

	Reviewed half year ended 30 June 2020 P'000	Reviewed half year ended 30 June 2019 P'000	Audited year ended 31 December 2019 P'000
		Restated	Restated
<b>Cash flows from operating activities</b>			
Cash used in operations	(43 051)	(102 408)	(171 987)
Net increase in loans and advances to customers	(464 546)	(853 990)	(1 532 808)
Interest received	636 759	607 783	1 283 991
Interest paid	(143 287)	(132 316)	(278 344)
Income taxes paid net of refunds	(70 573)	(82 118)	(157 792)
Decrease in deposits due to customers	(353 345)	1 139 583	2 522 922
Increase in amounts due from related parties	27 189	(743 657)	(20 099)
Increase in deposits due to other banks (Decreased)/ Increase in amounts due to related parties	179 624	264 021	(55 000)
(Increase)/decrease in trading portfolio assets	(159 374)	(103 265)	(907 367)
Increase/(decrease) in statutory reserve with the Central Bank	(38 377)	(66 719)	513
Increase in derivative financial instruments	590 029	(44 845)	(94 398)
	330	(2 758)	(5 965)
<b>Net cash generated used in operating activities*</b>	<b>161 378</b>	<b>(120 689)</b>	<b>583 666</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment	(43 703)	(10 545)	(42 481)
Proceeds from disposal of property, plant and equipment	-	10 239	15 091
Decrease in long term financial instruments held at FVOCI	(656 574)	(423 009)	(316 238)
<b>Net cash (used)/generated by investing activities</b>	<b>(700 277)</b>	<b>(423 315)</b>	<b>(343 628)</b>
<b>Cash flows from financing activities</b>			
Dividends paid to shareholders	(169 693)	(189 998)	(299 995)
Issuance of debt securities	64 472	84 000	94 200
Redemption of debt securities	(70 767)	(33 000)	(278 800)
Proceeds from subordinated debt	236 626	-	-
Payment of lease liabilities	(19 711)	-	(49 935)
<b>Net cash used in financing activities</b>	<b>40 927</b>	<b>(138 998)</b>	<b>(534 530)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(497 972)</b>	<b>(683 002)</b>	<b>(294 492)</b>
Cash and cash equivalents at the beginning of the year	3 815 626	4 110 118	4 110 118
<b>Cash and cash equivalents at the end of the period/year</b>	<b>3 317 654</b>	<b>3 427 116</b>	<b>3 815 626</b>

## Segment reporting

For the period ended 30 June 2020

	Retail and Business Banking P'000	Corporate and Investment Banking P'000	Barclays PLC Transitional Costs P'000	Consolidated P'000
<b>Statement of comprehensive income 30 June 2020</b>				
Net interest income	419 026	132 648	-	551 674
Net Fee and commission income	158 787	19 645	-	178 432
Net trading and other income	15 537	58 215	-	73 752
<b>Total Income</b>	<b>593 350</b>	<b>210 508</b>	<b>-</b>	<b>803 858</b>
Expected credit losses	(142 071)	(36 383)	-	(178 454)
<b>Net operating income</b>	<b>451 279</b>	<b>174 125</b>	<b>-</b>	<b>625 404</b>
Operating expenses	(348 074)	(92 799)	(55 678)	(496 551)
<b>Profit before tax</b>	<b>103 205</b>	<b>81 326</b>	<b>(55 678)</b>	<b>128 853</b>
Taxation	(32 661)	(17 892)	12 389	(38 164)
<b>Profit for the period</b>	<b>70 544</b>	<b>63 434</b>	<b>(43 289)</b>	<b>90 689</b>
<b>Statement of financial position</b>				
<b>Assets</b>				
Trading portfolio assets	-	38 377	-	38 377
Financial instruments held at fair value through OCI	1 932 715	-	-	1 932 715
Derivative financial assets	-	37 494	-	37 494
Other assets	3 135 977	-	-	3 135 977
Loans and advances to customers	9 347 206	4 298 162	-	13 645 368
<b>Total assets</b>	<b>14 415 898</b>	<b>4 374 033</b>	<b>-</b>	<b>18 789 931</b>
<b>Liabilities</b>				
Customer deposits	8 515 861	5 508 337	-	14 024 198
Derivative financial liabilities	-	22 634	-	22 634
Debt securities in issue	344 699	-	-	344 699
Subordinated debt	595 322	-	-	595 322
Other liabilities	1 652 325	-	-	1 652 325
<b>Total liabilities</b>	<b>11 108 207</b>	<b>5 530 971</b>	<b>-</b>	<b>16 639 178</b>

## Segment reporting

For the period ended 30 June 2020

The Bank has identified its reportable segments based on a combination of products and services offered to customers and clients and in the manner in which the Group's businesses are managed and reported to the Chief Operating Decision Maker (CODM).

### Business segments

The Bank comprises the following main business segments:

### Corporate and Investment Banking

This segment offers corporate and investment banking solutions. The business models center on delivering specialist investment banking, financing, risk management and advisory solutions across asset classes to corporates, financial institutions and government clients. Corporate and Markets have been aggregated into CIB.

### Retail and Business Banking

This segment provides a comprehensive range of commercial banking products and services to medium, small businesses and retail customers. Retail, Business Banking, Head Office and Treasury have been aggregated into the RBB segment. Absa Insurance Services (Pty) Ltd is included in this segment.

### Barclays PLC separation costs (other reconciling items)

Barclays PLC separation costs: The Barclays PLC separation costs have been shown separately to differentiate between the normal business activities and the impact of separation.

## Notes to the condensed consolidated financial statements

For the period ended 30 June 2020

### Accounting policies

#### 1. Reporting entity and basis of accounting

Absa Bank Botswana Limited (the "Bank") is a public company listed on the Botswana Stock Exchange and domiciled in Botswana. These condensed interim financial statements ("interim financial statements") for the six months ended 30 June 2020 comprise the company and its wholly owned subsidiary Absa Insurance Services Proprietary Limited (together referred to as the "Group"). The Bank is primarily involved in the provision of commercial retail and wholesale banking and auxiliary services. Absa Insurance Services Proprietary Limited (the "Company") is an insurance agent which earns commission fees from referral of Life and Non-Life insurance products.

These financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and should be read in conjunction with the Group's last audited annual consolidated financial statements as at the end of the year ended 31 December 2019 (last financial statements). They do not include all the information required for a complete set of financial statements. However,

selected explanatory notes are included to explain events and transactions that are significant to understanding the changes in the Group's financial position and performance since the last annual financial statements.

This publication is an extract of the condensed consolidated financial statements as at 30 June 2020 which are in compliance with IAS 34 Interim Financial Reporting. This publication must be read in conjunction with the full set of the condensed consolidated financial statements as at 30 June 2020.

The accounting Policies are the same as the last financial statements and there has not been any significant changes.

These interim financial statements were authorised for issue by the Company's Board of Directors on 15 September 2020.

#### 2. Use of judgements and estimates

In preparing these interim financial statements management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of the assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied in the consolidated financial statements for the year ended 31 December 2019.

#### 3. Profit before income tax

The expected credit impairment includes a Macro Economic variable update amounting to P60 million which impacted our expected credit losses negatively. Further to this the Bank also saw a spike in expected credit loss charge due to changes in the portfolio risk classification as a consequence of offering payment holiday and other debt relief programs.

During the period under review, the Bank incurred a once off cost relating to staff voluntary separation scheme (VSS) amounting to P25 million.

No further significant items of an unusual, nature, size or incidence have been charged to operating profit during the review period.

#### 4. Contingent liabilities and commitments

There has been no significant change in the nature of contingent liabilities and commitments with off-balance sheet risk from those reported in the annual financial statements for the year ended 31 December 2019.

#### 5. Capital commitments

At 30 June 2020 the commitments for capital expenditure authorised and contracted for amounted to P7.2 million (31 December 2019: P17.2 million) and the commitments for capital expenditure authorised but not under contracted for amounted to P13.8 million (31 December 2019: P14.2 million).

#### 6. Related party transactions

There has been no significant change in the nature of related party transactions from those reported in the annual financial statements for the year ended 31 December 2019.

#### 7. Independent auditors report

Our independent auditors Ernst & Young have reviewed the condensed consolidated interim financial statements of Absa Bank Botswana Limited in accordance with the International Standard on Review Engagements 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. Their review report on the condensed interim financial statements is available for inspection at the Bank's registered office.

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Prime Plaza  
Plot 74358  
Central Business District  
Gaborone

#### 8. Events occurring after reporting date

There were no other material changes in the affairs of the Bank between the 30 June 2020 period end and the date of the approval of these condensed consolidated interim financial information.

	Reviewed as at 30 June 2020 P'000	Reviewed as at 30 June 2019 P'000	Audited as at 31 December 2019 P'000
Undrawn commitments to customers	2 213 326	2 686 128	2 377 000
Letters of credit	51 685	312 922	28 591
Guarantees	201 529	272 372	215 638
	<b>2 466 540</b>	<b>3 271 422</b>	<b>2 621 229</b>



# Condensed results of the reviewed consolidated financial statements

For the period ended 30 June 2020

to enable clients to transact safely during the current pandemic. In addition to offering our clients payment holiday relief where needed, we offered a 3 month discount in transaction fees on our digital platform to enable technology adoption and usage during lockdown. We were strongly focused on enhancing the options available to our clients to transact digitally and launched a virtual assistant ChatBot to allow clients to engage with us and receive responses to their everyday queries via WhatsApp. Additional improvements were made to our existing digital channels in response to feedback received from clients. Our increased focus remains on customer convenience and bringing value. Furthermore, in efforts to support the re-opening of economic activities of the informal sector post COVID-19 repercussions, the Retail function in partnership with CEDA Lethabile programme introduced Remmogo Current Account to the beneficiaries of the Informal Sector Stimulation Programme (ISSP). The Remmogo Current Account will be used to receive loan disbursements for the approved beneficiaries by CEDA and continual provision of banking services beyond the programme.

We continued to experience growth in our loan book as we continued to offer much needed support to our customers. In order to provide instant benefits to our customers when they transact at various merchants outlets, we have signed agreements with 15 new partners. Our customers can now enjoy discounts at merchants such as restaurants, hotels, beauty and health spas as some of the ways in which we wish to support our customers in their journey of life as we bring possibilities to life.

Retail Banking will continue to focus on driving digital utilization and bringing solutions to clients that make their lives easier whilst maintaining service through our newly revamped branches and ATMs throughout the country.

## Business Banking

Business Banking has continued with its focus on the key chosen priority sectors of Agriculture, and Corporate and Investment Banking value chain to grow the balance sheet and contribute to profitability of our clients businesses. The business continues to drive its Relationship Banking model and remains focused on enhanced product development and improving client service. In the past 6 months the business has driven the Purchase order finance the Absa internet Banking product, Enterprise Supply Chain Development program (ESD), Commercial Asset Finance (CAF). We have also entered into a Memorandum of understanding with Debswana to drive the Citizen Economic Empowerment Program, as well as Local Enterprise Authority to assist with the Capacity building of the Small as well as Medium Enterprises. In our continued effort to drive the ESD program we have disbursed over a P100 million to assist the businesses mainly the SMEs which are key to the economy of Botswana.

The ESD program remains a critical part of our continued effort to bring our customers possibilities to life. Business Banking will continue to drive its momentum to increase the usage of digital channels, improve the ease of doing business and supporting our client base to grow and contribute positively to the economy.

## Citizenship

The COVID-19 pandemic has compelled us to review our approach towards the implementation of our Citizenship agenda. Our first priority has been to support the efforts of our government with a donation of P 1.5 million towards the COVID-19 Relief Fund. An additional P500 000 will be donated to support educational initiatives throughout the year.

It is encouraging to report that our F.G. Mogae Scholarship recipients have now returned to their respective institutions to pursue their various masters degree programs. There are currently 36 students in the final phase of their masters programs at the University of Botswana, Botswana Accountancy College, Botswana University of Agriculture and Natural Resources and Botswana International University of Science and Technology.

Our ReadytoWork online learning platform remains available for anyone seeking to improve their money management skills and considering entrepreneurship as a means of making a living. We see increased utilisation of the platform by young people at tertiary institutions. Moreover our partners Project Concern International and Stepping Stones International continue to utilize ReadytoWork with the USAID funded DREAMS program. They have collectively trained over 1 000 young people in the program since the beginning of the year.

The last phase of the Madi Majwana Tour took place in the early part of the year where Maitisong visited schools to run listening sessions with students. A total of 14 schools were visited and 5000 students and their teachers engaged in Ghanetsi, Maun, Palapye, Gaborone and Good Hope. The students were from Standard 6 to Form 5 and were 9 to 19 years of age.

## Looking ahead

The year started on a positive note until April where we experienced significant challenges as a result of COVID-19. This had a material impact on our operating environment, business activity levels and financial performance. The significant uncertainty about the impact of COVID-19 and the economic outlook remains, however, it is clear that when we emerge from this crisis, economic life, the business environment, social interactions, customer needs and preferences will have undergone a fundamental structural change.

Our response is to re-align our strategy to ensure that we have a relevant and competitive business model that will see us emerge from this crisis as a strong and resilient business for our colleagues, customers, clients and shareholders.

Our strategic focus includes accelerating and refining our digital strategies, agility of our organization, skills and capabilities we invest in, and our approach to strategic partnerships and deepening our Citizenship activities.

Alfred M. Dube  
Interim Board Chairman

Keabetswe Pheko-Moshagane  
Managing Director

## Condensed statement of comprehensive income

For the period ended 30 June 2020

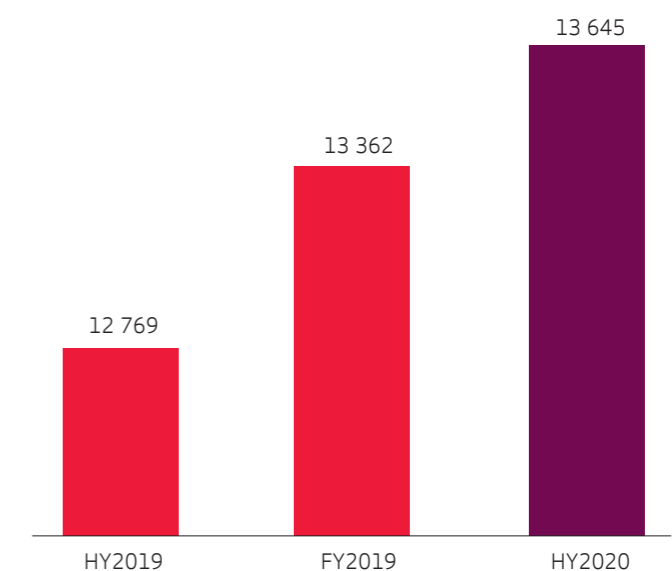
	IFRS View period ended 30 June 2020 P'000	Barclays PLC Separation costs period ended 30 June 2020 P'000	Normalised view period ended June 2020 P'000	IFRS View period ended 30 June 2019 P'000	Barclays PLC Separation costs period ended 30 June 2019 P'000	Normalised view period ended June 2019 P'000	Change in normalised results vs prior year %
Effective interest income	697 227	-	697 227	663 508	-	663 508	5%
Effective interest expense	(145 553)	-	(145 553)	(132 532)	-	(132 532)	10%
<b>Net interest income</b>	<b>551 674</b>	<b>-</b>	<b>551 674</b>	<b>530 976</b>	<b>-</b>	<b>530 976</b>	<b>4%</b>
Fee and commission income	190 263	-	190 263	226 653	-	226 653	(16%)
Fee and commission expense	(11 831)	-	(11 831)	(40 347)	(31)	(40 316)	(71%)
<b>Net fee and commission income</b>	<b>178 432</b>	<b>-</b>	<b>178 432</b>	<b>186 306</b>	<b>-</b>	<b>186 337</b>	<b>(4%)</b>
Net trading income	71 647	(344)	71 991	82 513	(1 639)	84 152	(14%)
Other income	2 105	-	2 105	9 954	-	9 954	(79%)
<b>Total income</b>	<b>803 858</b>	<b>(344)</b>	<b>804 202</b>	<b>809 749</b>	<b>(1 670)</b>	<b>811 419</b>	<b>(1%)</b>
Expected credit losses on loans and advances	(178 454)	-	(178 454)	8 254	-	8 254	(2262%)
<b>Net operating income</b>	<b>625 404</b>	<b>(344)</b>	<b>625 748</b>	<b>818 003</b>	<b>(1 670)</b>	<b>819 673</b>	<b>(24%)</b>
Staff costs	(262 913)	(8 197)	(254 716)	(232 678)	(471)	(232 207)	10%
Infrastructure costs	(61 812)	(3 619)	(58 193)	(55 720)	(14)	(55 706)	4%
Administration and general expenses	(171 826)	(43 862)	(127 964)	(142 302)	(15 782)	(126 520)	1%
<b>Operating expenses</b>	<b>(496 551)</b>	<b>(55 678)</b>	<b>(440 873)</b>	<b>(430 700)</b>	<b>(16 267)</b>	<b>(414 433)</b>	<b>6%</b>
Profit before tax	128 853	(56 022)	184 875	387 303	(17 937)	405 240	(54%)
Taxation	(38 164)	12 389	(50 553)	(88 523)	3 946	(92 469)	(45%)
<b>Profit for the period</b>	<b>90 689</b>	<b>(43 633)</b>	<b>134 322</b>	<b>298 780</b>	<b>(13 991)</b>	<b>312 771</b>	<b>(57%)</b>

## Condensed consolidated statement of financial position

As at 30 June 2020

	IFRS View 30 June 2020 P'000	Barclays PLC Separation costs as at 30 June 2020 P'000	Normalised view as at 30 June 2020 P'000	Restated IFRS view as at 30 June 2019 P'000	Barclays PLC Separation costs as at 30 June 2019 P'000	Normalised view 30 June 2019 P'000	Change in normalised results vs prior year %
<b>Assets</b>							
Cash	493 906	-	493 906	333 488	-	333 488	48%
Balances at the Central Bank	418 530	-	418 530	1 426 826	-	1 426 826	(71%)
Trading portfolio assets	38 377	-	38 377	67 232	-	67 232	(43%)
Derivative financial instruments	37 494	-	37 494	32 818	-	32 818	14%
Financial assets at fair value through OCI	1 932 715	-	1 932 715	1 378 031	-	1 378 031	40%
Loans and advances to banks	1 188 217	-	1 188 217	956 305	-	956 305	24%
Due from related companies	491 639	(295)	491 934	578 620	(6 019)	584 639	(16%)
Loans and advances to customers	13 645 368	-	13 645 368	12 769 413	-	12 769 413	7%
Other receivables	211 925	(2 732)	214 657	174 101	(85)	174 186	23%
Property plant and equipment	233 175	25 989	207 186	185 888	-	185 888	11%
Intangible assets	656	-	656	978	-	978	(33%)
Deferred tax assets	80 818	-	80 818	59 538	-	59 538	36%
Current tax asset	17 111	-	17 111	-	-	-	-
<b>Total assets</b>	<b>18 789 931</b>	<b>22 962</b>	<b>18 766 969</b>	<b>17 963 238</b>	<b>(6 104)</b>	<b>17 969 342</b>	<b>4%</b>
<b>Equity and liabilities</b>							
<b>Liabilities</b>							
Deposits from banks	482 596	-	482 596	621 993	-	621 993	(22%)
Due to related companies	358 514	-	358 514	718 415	20	718 395	(50%)
Customer deposits	14 024 197	-	14 024 197	12 994 203	-	12 994 203	8%
Derivative financial instruments	22 634	-	22 634	28 846	-	28 846	(22%)
Other payables	775 184	64 464	710 720	504 903	6 458	498 445	43%
Provisions	36 032	340	35 692	39 114	-	39 114	(9%)
Current tax payable	-	1 791	(1 791)	4 745	1 409	3 336	(154%)
Debt securities in issue	344 699	-	344 699	588 934	-	588 934	(41%)
Subordinated debt	595 322	-	595 322	358 305	-	358 305	66%
<b>Total liabilities</b>	<b>16 639 178</b>	<b>66 596</b>	<b>16 572 582</b>	<b>15 859 458</b>	<b>7 887</b>	<b>15 851 572</b>	<b>5%</b>
<b>Shareholders' equity</b>							
Stated capital	17 108	-	17 108	17 108	-	17 108	-
General risk reserves	118 347	-	118 347	118 347	-	118 347	-
Fair value reserves	9 121	-	9 121	1 275	-	1 275	615%
Share-based payment reserve	3 666	-	3 666	2 791	-	2 791	31%
Share capital reserve	2 060	-	2 060	2 060	-	2 060	-
Retained income	2 000 451	(43 634)	2 044 085	1 962 199	(13 991)	1 976 190	3%
<b>Total equity attributable to equity holders</b>	<b>2 150 753</b>	<b>(43 634)</b>	<b>2 194 387</b>	<b>2 103 780</b>	<b>(13 991)</b>	<b>2 117 771</b>	<b>4%</b>
<b>Total equity and liabilities</b>	<b>18 789 931</b>	<b>22 962</b>	<b>18 766 969</b>	<b>17 963 238</b>	<b>(6 104)</b>	<b>17 969 342</b>	<b>4%</b>

## Customer loans (P'billion)



## Customer deposits (P'billion)

